



ATTORNEY GENERAL GEORGE JEPSSEN

FEDERAL JUDGE RULES IN FAVOR OF ATTORNEYS GENERAL; REJECTS DIRECTBUY, INC. SETTLEMENT OF CLASS-ACTION LAWSUIT

For immediate release

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HARTFORD – In a win for consumers and the position taken by the attorneys general for 37 states, the District of Columbia and the Commonwealth of Puerto Rico, U.S. District Judge Janet C. Hall Monday denied a proposed class-action settlement in a lawsuit against DirectBuy, Inc.

In a 32-page decision, Judge Hall said the proposed settlement failed to meet the heightened test of fairness for early class-action settlements because it failed to account for state consumer protection claims, it overstated the risks of success, and provided a “relatively meager settlement” when viewed in light of the best possible recovery for consumers.

In denying the motion to approve the settlement, Judge Hall stated that the “attorneys general forcefully argue that the settlement is both overstated and undervalued.”

Attorney General George Jepsen had filed an objection in an *amicus curiae* brief on behalf of the attorneys general, in what was the largest number of states joining in opposition to a proposed class-action settlement since the passage of the Class Action Fairness Act in 2005.

“This decision represents a win for those consumers who were looking for reasonable compensation for the losses they suffered because of DirectBuy’s allegedly deceptive practices,” Jepsen said. “This ruling means the case against DirectBuy will continue in hopes of a fair result for consumers.”

He credited Assistant Attorney General Matthew Fitzsimmons for his work on the case and thanked Assistant Attorney General Brant Harrell of the Office of the Attorney General of Tennessee for his assistance on the brief.

The pending private lawsuit names Direct Buy, Inc., United Consumers Club, Inc. and DirectBuy Holdings, Inc. as defendants.

It accused DirectBuy of fraudulent misrepresentation because the company implied that paid memberships would entitle customers to purchase goods from manufacturers and suppliers at actual cost. However, DirectBuy allegedly received kickbacks and incentives from suppliers and manufacturers of goods purchased by DirectBuy members, which inflated the cost of the goods. The lawsuit alleges that DirectBuy did not tell customers of the arrangement until early 2009.

Jepsen said the so-called free and reduced-price memberships offered were not a fair, reasonable and adequate settlement for most of the customers harmed. Also, the proposed settlement would not prohibit similar future conduct by DirectBuy and the proposed attorneys’ fees were excessive and disproportionate compared to purported benefits to consumers.

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